No. 15-927

Supreme Court, U.S.
FILED
OCT 12 2016
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENIC, INC.,
FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY BRIEF

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Dated: October 12, 2016

CORPORATE DISCLOSURE STATEMENT

The disclosure statement included in the opening brief remains correct.

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INTRODUCTION

Section 286 of the Patent Act of 1952 prescribes a plain six-year limitations period and makes no mention of laches. Notwithstanding the statute's clarity, First Quality contends implausibly that the Court should recognize a laches defense as a matter of historic practice. But neither respondent nor its amici can identify a single statute or precedent of this Court authorizing the use of laches to truncate a legal damages action brought within a statutory limitations period. On the contrary, this Court's precedents have consistently rejected any such argument. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1974 (2014). First Quality offers a series of lower court decisions in support of its position, but errs in relying on these decisions rather than the contrary decisions of this Court. Moreover, First Quality misconstrues the cases it cites, most of which were brought in equity, addressed equitable remedies, or were in fact cases of estoppel. There is simply no reason to accept First Quality's revisionist historical interpretation of patent law.

Seeking to sidestep the plain statutory text, First Quality attempts to deny the obvious by theorizing that section 286 is not actually a statute of limitations. Resp. Br. 40–42. This is so, First Quality contends, primarily because the provision makes use of a time calculation method that counts back from the filing of a complaint rather than forward from the act of infringement. First Quality ignores the fact that the copyright statute of limitations addressed in *Petrella* works in exactly the same way. 134 S. Ct. at 1968.

First Quality next urges the Court to focus not on the specific terms of section 286, but rather on the general provisions of section 282 of the Patent Act of 1952. Although section 282 nowhere mentions laches, First Quality theorizes an implied judicial power to truncate section 286's six-year limitations period from the general language of section 282. Along the way, it relies on an argument never adopted below: that section 282's reference to "unenforceability" encompasses a laches defense. First Quality's meandering path, however, leads to a thoroughly untenable and counterintuitive result long rejected by this Court: that the equitable doctrine of laches can truncate a statutory limitations period at law.

First Quality's policy arguments fare no better. Even if policy arguments could justify ignoring a statute's plain terms, a judge-made laches defense undermines the sound administration of patent law. Indeed, the doctrine as applied below, with its various presumptions, serves only to impair the system Congress has prescribed. The decision below should be reversed.

I. The Patent Act Does Not Carve Out a Laches Exception to Section 286's Limitations Period.

The heart of First Quality's textual analysis is an argument the Federal Circuit rejected below—that *Petrella* is inapplicable here because section 286 is not a statute of limitations. Resp. Br. 40–42. But, section 286 is clearly a statute of limitations, and under its plain terms litigants such as SCA have six years from the date of each separately accruing infringement to pursue a claim for relief.

A. Section 286 Is the Patent Statute of Limitations.

1. As SCA's opening brief explains (Pet. Br. 6–7, 22–23, 46), Congress enacted the antecedent to section 286, Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694, to create a uniform national statute of limitations to replace the various state-law limitations periods in use as a result of *Campbell v. City of Haverhill*, 155 U.S. 610, 616–21 (1895). During the legislative process leading up to the 1952 Patent Act, several witnesses called the provision "the statute of limitations." *Patent Law Codification and Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the H. Comm. on the Judiciary*, 82d Cong. 80, 108 (1951) (statements of Capt. George Robillard, U.S. Navy, Dept. of Defense, and P.J. Federico, U.S. Patent Office). So did both the Senate and House Reports. H.R. REP. NO. 82-1923, at 10 (1952); S. REP. NO. 82-1979, at 8–9 (1952). Congress again referred to section 286 as a "statute of limitations" in the hearings leading to the enactment of the Copyright Act. H.R. REP. NO. 85-150, at 2 (1957); *see also* S. REP. NO. 85-1014, at 3 (1957). These numerous references in the legislative record cannot be brushed aside. Section 286 has always been understood as a statute of limitations, not something else.

2. First Quality tries to resurrect the argument adopted in *Aukerman* that section 286 is not a statute of limitations and that this somehow makes a difference. Resp. Br. 15, 40–42 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992) (en banc)). In the decision below, however, the Federal Circuit rejected that position, finding "no substantive distinction" between the Copyright and Patent Acts' limitations periods.

Pet. App. 17a–18a. And just as this Court concluded in *Petrella* that the copyright provision leaves no room for the equitable doctrine of laches, 134 S. Ct. at 1973, 1975, neither does section 286 of the Patent Act.

First Quality's principal argument is that section 286 cannot be a statute of limitations because it counts backward from the filing of a complaint rather than forward from a particular act of infringement. Resp. Br. 41–42. But counting forward from the beginning yields no different result than counting backward from the end. *Petrella* itself treated this purely semantic distinction as irrelevant, repeatedly describing the Copyright Act's three-year period from the date of each act of infringement as a "look-back" period. 134 S. Ct. at 1968, 1969 n.3, 1972, 1973, 1976, 1978.

Moreover, the Patent Act, like the Copyright Act, follows the separate-accrual rule. *See id.* at 1969. Because the statute of limitations accrues separately for each discrete infringement, it "makes the starting trigger an infringing act committed three [here, six] years back from the commencement of suit, while laches, as conceived by [the court of appeals] and advanced by [respondent], makes the presumptive trigger the defendant's *initial* infringing act." *Id.* at 1975. Congress's judgment regarding the appropriate trigger must be respected.

3. First Quality suggests, without authority, that section 286 is a statute of repose. Resp. Br. 42. Even if that were true, it would make no difference. The hallmark of a statute of repose is that it is an "unqualified bar," precluding equitable tolling. *Merck & Co., Inc. v. Reynolds*, 559 U.S. 633, 650 (2010). First Quality offers no reason why a statute which

precludes equitable tolling should imply equitable shortening under the doctrine of laches. To the contrary, as a timeliness rule, a statute of repose implicates the same concerns of separation of powers and respect for the timeliness judgments of Congress as a statute of limitations. Indeed, courts often conflated statutes of limitations and repose. *See, e.g.*, *CTS Corp. v. Waldburger*, 134 S. Ct. 2175, 2185–86 (2014).

B. Section 282 Does Not Limit Section 286.

1. Lacking any support for its laches theory in section 286, First Quality turns to section 282. At the outset, First Quality faces a doubly heavy burden in attempting to use the general terms of section 282 to modify the specific provisions of section 286 in a way that conflicts with this Court's own equity precedents. Not only does First Quality's argument conflict with the general/specific canon, "[a]s this Court has long recognized, 'a major departure from the long tradition of equity practice should not be lightly implied.'" *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1987)); *see also Nken v. Holder*, 556 U.S. 418, 433 (2009) (Congress is to be taken as having legislated consistently with traditional principles of equitable remedies).[1]

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[1] As discussed in amicus Medinol Ltd.'s brief, (17–24), the Court should require a clear statement, mentioning laches expressly, to displace the background rule.

First Quality seizes on the word "unenforceability" in section 282, arguing that the term had an "accumulated settled meaning" that included laches in damages actions. Resp. Br. 29. But as the dissent below noted, it is for good reason that the decision below did not treat laches as an "unenforceability" defense. Pet. App. 49a–50a. The classic unenforceability defenses are "patent misuse" (abuse of the patent monopoly) and "inequitable conduct" (fraudulent misrepresentations or material omissions to the patent examiner). *See, e.g.*, *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 105 (1969) (unenforceability based on "conspiracy with foreign patent pools"); *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814–16, 819 (1945) (public policy precludes "enforcement of patent claims infected with fraud and perjury"). These defenses require proof of egregious misconduct to impair the patent right. Laches, on the other hand, is a defense premised on delay, not misconduct. A patentee who delays too long to sue might lose an accrued remedy, but not the patent. The patentee could still enforce the patent against the infringer for future infringement and against the world generally.

First Quality cherry-picks a few cases in which the terms "laches" and "enforce" or "unenforceable" appear near each other (Resp. Br. 28 & n.11), but these casual expressions are of no significance. The sheer number of cases in which laches is treated as a separate defense, without reference to "enforceability," shows that there was never a "settled meaning" to "unenforceability" that incorporated laches, much less the use of laches in legal damages actions.

2. To bolster its position, First Quality refers (Resp. Br. 31) to Senator McCarran's comment that "unenforceability" "has been used in numerous court decisions under the section in question." 98 Cong. Rec. 9323 (1952). But as he explained, "in a case *where a patent* is found unenforceable," judgment could not be entered for the patent holder. *Id.* (emphasis added). This explanation does not describe laches.

Rather, the Senator was almost certainly referring to the patent-misuse doctrine, which, along with contributory infringement, was the subject of intense legislative debate. *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203–15 (1980) (discussing lengthy history of debate on misuse and patent enforcement). This Court's contributory infringement decisions had "rendered doubtful the enforceability of many of a very large class of patents." *Contributory Infringement in Patents; Definition of Invention: Hearings on H.R. 5988, H.R. 4061, H.R. 5248 Before the Subcomm. on Patents, Trade-Marks, and Copyrights of the H. Comm. on the Judiciary*, 80th Cong. 6 (1948); *see id.* at 17, 2–33; *see also Contributory Infringement: Hearings on H.R. 3866 Before the Subcomm. No. 4 of the H. Comm. on the Judiciary*, 81st Cong. 21, 6–34, 51–82 (1949). As Robert Byerly and Giles Rich (a principal drafter of the 1952 Act and later Federal Circuit judge) summarized the problem, the Court's decisions holding "that enforcement of a patent right against a contributory infringer is 'misuse,'" required a rethinking of the line between contributory infringement and misuse. *Hearings on H.R. 5988*, 80th Cong. 73. There is simply no reason to believe that Senator McCarran thought "unenforceability"

included laches—a word that never appeared in the legislative history.

3. Finally, First Quality argues that the phrase "in any action" in section 282(b) means that equitable defenses may bar legal damages claims. Resp. Br. 28–30. This, however, is just another form of the argument rejected in *Petrella* that the phrase "in every civil action" in Federal Rule of Civil Procedure 8(c) brought laches over into actions at law. *Petrella*, 134 S. Ct. at 1974–75; *see also* Fed. R. Civ. P 8 advisory committee's 1937 note (patent pleading rules abrogated by subdivision (b)). The argument fares no better here than it did in *Petrella*.

II. The History of Patent Litigation Does Not Support First Quality's Argument.

Lacking any real support in the text of the Patent Act, First Quality devotes a large portion of its brief to a discussion of historical practice. Resp. Br. 17–27 First Quality's analysis, however, is deeply flawed. To begin with, although historical practice may inform a court's understanding of a statute, it cannot overcome its clear terms. *See Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 11 (2000). Because the terms of section 286 are clear, prior practice cannot be used to vary its requirements. In addition, First Quality simply gets the history wrong.

A. The History of Patent Litigation Tracks the History of Copyright Litigation; Neither Establishes a Practice of Using Laches to Curtail Legal Damages Claims.

First Quality makes much of the prevalence of equitable actions in patent cases, but fails to point out that was also true of copyright litigation. Resp. Br.

17–21. While citing 1952 statistics on bench and jury trials in patent cases to argue for a special patent law rule (Resp. Br. 3–4), First Quality ignores that seven lines up on the cited page is the entry for copyright adjudications, showing that in 1952, there were 12 copyright bench trials and only 1 jury trial. Judicial Conference of the U.S., *Report of the Division of Procedural Studies and Statistics, in Annual Report* 67, 134 Table C4 (1952). Copyright cases were predominantly tried in equity, just like patent matters.

Moreover, patent and copyright law developed in strikingly similar ways. In the nineteenth and early twentieth centuries, a patentee had the right to sue for patent infringement either at law, seeking damages, or in equity, seeking injunctive relief and an accounting of profits. *Tilghman v. Proctor*, 125 U.S. 136, 143–44 (1888), *superseded by statute*, Act of Aug. 1, 1946, ch. 726, § 4921, 60 Stat. 778. In 1870, Congress expanded the accounting remedy to include damages. Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206.[2] This ancillary power was not a feature

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[2] While First Quality argues that the 1870 amendments caused a shift to equity courts (Resp. Br. 3–4, 25), one of the articles it cites calls this "inaccurate" and "overstated" Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 Yale L.J. 848, 913–14, 919 (2016). The shift "happened earlier, in the 1850s and 1860s," and was linked to the disparate treatment of the invalidity defense at equity and law. *Id.* at 913–14.

unique to patent law and was available as a general matter in equity courts to avoid the inefficiency of starting a second action at law. *See Tilghman*, 125 U.S. at 149. Over time, Congress stepped in to further regulate patent litigation in a variety of ways, including adding a uniform national statute of limitations in 1897 H.R. REP. NO. 54-940, at 2 (1896).

Copyright law took virtually the same path. Copyright claims could be brought at law or in equity. *See Douglas v. Cunningham*, 294 U.S. 207, 210 (1935). Equity courts adjudicating copyright claims had the power to conduct an accounting and award profits, but there was no express authority to award damages. In 1909, Congress granted the ancillary power to award damages to equity courts. *Id.* at 208 n.1. Congress enacted a national copyright statute of limitations in 1957. S. REP. NO. 85-1014, at 1–2 (1957). Notably, the legislators who crafted this limitations period used the patent laws as their model, referred to section 286 as a "statute of limitations," and commented that the provision precluded the application of equitable defenses. *Id.* at 3; *see also* Medinol Br. 11–13.

Congress eventually abolished the profit remedy in patent cases. *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 377 U.S. 476, 505 (1964). That left the remedies of injunction and damages. A similar framework existed in copyright cases, in which a plaintiff could pursue the equitable remedies of injunctive relief and disgorgement of profits (which was never abolished), or a legal damages claim. *See Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 342 (1998).

Under the copyright regime, what matters in determining whether laches applies is what has

always mattered: whether the particular remedy is legal or equitable in nature. *See Petrella*, 134 S. Ct. at 1967 n.1. Thus, in *Petrella*, this Court concluded that laches could bar claims for equitable relief in the form of injunctions and an accounting of profits in "sufficiently extraordinary" circumstances, but could never bar damages. *Id.* at 1978–79. The same holds true under the Patent Act.

B. The Case Law Does Not Support First Quality's Revisionist Theory.

1. First Quality devotes several pages of its brief (Resp. Br. 18–23) to a long list of citations establishing that laches was available in equity actions prior to 1952. But that is not the question. The question under *Petrella* is whether the specific remedy at issue, patent infringement damages, is legal or equitable. Because the remedy here is plainly legal in nature—it *is triable to a jury*—laches cannot apply to bar a claim for patent damages in the face of section 286.

2. First Quality seeks to align a legal damages claim with an accounting action, but in doing so badly misperceives the nature of an accounting, which was a remedy only available in a court of equity and was eliminated in 1946, six years before the passage of the 1952 Patent Act. It is plain that the antecedent to today's patent infringement suit is a legal claim for damages, not an equitable accounting proceeding.

The accounting procedure was purely a creature of equity. Once equity jurisdiction attached—almost always through a request for injunctive relief—the plaintiff could request an accounting. *Root v. Lake Shore & M.S. Ry. Co.*, 105 U.S. 189, 215–16 (1881) (a patentee could not obtain "a naked account of profits

and damages"; accounting must be "incidental to some other equity, the right to enforce which secures to the patentee his standing in court"). The accounting involved complex rules administered by a special master and was notorious for delay and expense. *Recovery in Patent Infringement Suits: Hearings on H.R. 5231 Before the H. Comm. on Patents*, 79th Cong. 3–4, 7–8, 10–14 (1946). If profits could not be proved, the plaintiff could seek damages in the alternative, but the focus of an accounting was disgorgement of profits. *Id.* at 4.

First Quality's accounting cases stand for the unremarkable proposition that an equity court could exercise its discretion to refuse equitable relief on grounds of laches. *See* Pet. App. 62a (Hughes, J., concurring-in-part, dissenting-in-part). Once the right to proceed in equity was lost, so was the equitable remedy of an accounting. These cases do not say that laches could be used to bar the patentee's right to collect legal damages—laches was never available for that purpose. Notably, one of the equity cases First Quality relies upon made this distinction explicit, restating the hornbook rule that laches is a defense "peculiar to courts of equity, founded on lapse of time and the staleness of the claim, where no statute of limitations directly governs the case." *Gillons v. Shell Co. of Cal.*, 86 F.2d 600, 609 (9th Cir. 1936) (quoting *Wagner v. Baird*, 48 U.S. (7 How.) 234, 257–58 (1849)).

Moreover, the accounting cases are of dubious utility in interpreting the 1952 Patent Act because Congress abolished the accounting remedy in 1946. *Hearings on H.R. 5231*, 79th Cong. 4 ("The present bill eliminates an accounting for profits ."). There is

simply no reason to presume that Congress relied on this dead branch of the law in crafting section 282.

After 1946, an infringer thus had two remedies—the equitable remedy of injunction and the legal remedy of damages. The 1952 Act codified the equitable remedy in section 283 and the legal remedy in section 284. 35 U.S.C. §§ 283, 284. Unsurprisingly, section 283 makes injunctive relief subject to "the principles of equity"; section 284 does not. Neither section 284 nor section 286 create any special laches defense to infringement damages, and none can plausibly be inferred from section 282.

3. First Quality argues that there was a consensus at law that laches was an available defense in patent cases. Resp. Br. 21–23. Not so. In hearing patent cases while riding circuit, Justice Baldwin found early on that laches could not bar legal relief: "Equity acts on different principles in protecting the possession of the plaintiff, or declining to disturb the defendant; it leaves the rights of the parties as they stand at law. Though a plaintiff may have been wanting in that degree of diligence which entitles him to relief in equity, yet that alone does not impair his right or remedy in damages at law." *Cooper v. Mattheys*, 6 F. Cas. 482, 486 (C.C.E.D. Pa. 1842) (No. 3200); *see also McLaughlin v. People's Ry. Co.*, 21 F. 574, 574 (C.C.E.D. Mo. 1884) ("[W]hatever action at law he may have for damages, I think his own laches such as prevents a court of equity from interfering by injunction.").

The earliest case that First Quality cites is *Ford v. Huff*, 296 F 652 (5th Cir. 1924). But *Ford* is not a patent infringement case. The plaintiff was an employee of Henry Ford who assigned his inventions

to Ford under a purported agreement requiring Ford to pay a royalty. *Id.* at 654. The plaintiff sued to enforce the promise in state court, but Ford removed the case to federal court and tried to interpose an estoppel defense. *Huff v. Ford*, 289 F. 858 (S.D. Fla. 1923). The lower court denied the defense, but the Fifth Circuit reversed. *Ford*, 296 F. at 657. Nothing in *Ford* suggests that the Fifth Circuit would have barred the suit absent proof of the elements of estoppel. *See Thorpe v. Wm. Filene's Sons Co.*, 40 F.2d 269, 270 (D. Mass. 1930) ("In *Ford v. Huff*, supra, while the word 'laches' is used, the decision clearly rested upon the ground of estoppel."). Nor does it stand for the proposition that a patent holder's damages claim is subject to laches–Huff was not even the patent holder; Ford owned the patents by assignment. *Ford*, 296 F. at 654.

First Quality also relies on *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934). But *Banker* confused laches and estoppel, and in its analysis employed a misinterpretation of section 274b of the Judicial Code, 28 U.S.C.A. § 398, superseded by Federal Rule of Civil Procedure 2. Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (codified at 28 U.S.C. § 398) (repealed 1938). The *Banker* court did not have the benefit of two critical 1935 decisions of this Court that confirmed the common law division between law and equity and the rule that laches is not a defense to an action at law. *United States v. Mack*, 295 U.S. 480, 489 (1935) ("Laches within the term of the statute of limitations is no defense at law."); *Enelow v. N.Y Life Ins. Co.*, 293 U.S. 379, 382 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271 (1988) (section 274b was not substantive and merely preserved the order

of trial in equitable and legal actions). This Court reiterated the common law rules in numerous cases in the ensuing decades. *Petrella*, 134 S. Ct. at 1973.

First Quality also cites three Seventh Circuit decisions, starting with *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781 (7th Cir. 1939), which relied on the misguided analysis in *Banker*. Resp. Br. 23. The only other appellate decision is *Lukens Steel Co. v. Am. Locomotive Co.*, 197 F.2d 939 (2d Cir. 1952). In *Lukens*, the lower court, without once mentioning laches, barred all relief based on "the doctrine of estoppel." *Lukens Steel Co. v. Am. Locomotive Co.*, 99 F. Supp. 442, 449 (N.D.N.Y. 1951). On appeal, the Second Circuit approved the estoppel finding, but then gratuitously observed that "laches was available to bar both the accounting and the injunction." 197 F.2d at 940. It had no occasion to address whether laches could bar legal damages.

First Quality concedes that the remaining two appellate cases it cites addressed laches in dicta. Resp. Br. 23 (citing *Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, 192 F.2d 620, 625 (10th Cir. 1951); *Shaffer v. Rector Well Equip. Co.*, 155 F.2d 344, 345–347 (5th Cir. 1946). In fact, the defense pled in *Chicago Pneumatic* was "estoppel by laches," and the facts demonstrate that the defendant was asserting a traditional estoppel defense. *Hughes Tool Co. v. Chicago Pneumatic Tool Co.*, 90 F. Supp. 845, 846, 848 (W.D. Okla. 1950) ("We find nothing misleading or deceptive, upon which the defense of estoppel could be reasonably based."), *aff'd*, 192 F.2d 620.

Contrary to First Quality's characterization, there was thus no lower-court "consensus" view in favor of using laches to truncate legal relief, let alone any

Congressional endorsement of that position. If Congress was aware of or ratified any case law in 1952, it was the unbroken line of this Court's decisions holding that laches cannot "bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 134 S. Ct. at 1973–74.

4. As further support for its view, First Quality relies on some circuit court decisions between 1952 and the 1982 creation of the Federal Circuit (Resp. Br. 33–35). But these cases are not particularly clear, uniform, or helpful. *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952), was the best statement of the law in the Eighth Circuit, and as explained in SCA's opening brief (Pet. Br. 44), contradicts First Quality. The Tenth Circuit decision that First Quality cites observed that *Holmberg v. Ambrecht*, 327 U.S. 392 (1946) applied to patent cases, noting that "statutes of limitation are not controlling measures of *equitable relief*," and implying the opposite would be true in cases at law. *Potash Co. of Am. v. Int'l Minerals & Chem. Corp*, 213 F.2d 153, 154 n.2 (10th Cir. 1954) (emphasis added). The best statement of the law in the First Circuit remained *Thorpe*, which explicitly rejected the view that the merger of law and equity made laches available in patent cases at law. 40 F.2d at 269. Other circuits said nothing on the subject.

5. Ultimately, First Quality's historical analysis fails because it refuses to recognize the critical division of law and equity. First Quality downplays this distinction at every turn, even arguing that jury trials were a forgotten artifact by 1952 and that we should presume Congress jettisoned the concept of legal damages as a result. Yet it is an undeniable fact that patent cases continued to be tried to juries

throughout the period. *See, e.g.*, *Packwood v. Briggs & Stratton Corp.*, 195 F.2d 971, 972 (3d Cir. 1952); *Oxnard Canners, Inc. v. Bradley*, 194 F.2d 655, 656 (9th Cir. 1952). In drafting the 1952 Patent Act, Congress explicitly recognized that the "there would be, of course, a right to jury trial when no injunction is sought." H.R. REP. NO. 82-1923, at 29 (1952); S. REP. NO. 82-1979, at 29 (1952).

The reality is that legal damages actions never disappeared and remain with us today. Following the Court's decision in *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962), reaffirming the Seventh Amendment right to jury trial in cases with intertwined legal and equitable issues, patentees no longer had to choose between seeking an injunction in equity or damages at law for the sake of preserving a jury right. Patent jury trials became more frequent, and today approximately 70% of patent cases are tried to juries. Beauchamp, 125 Yale L.J. at 913. Thus, the law has come full circle; the dominant remedy today is the same as it was in 1790 when Congress enacted the first patent laws—an action for legal damages. And laches is no bar to legal damages.

III. Erroneous Lower-Court Decisions Do Not Become Good Law Simply Because Congress Fails to Overturn Them.

First Quality also contends that Congressional inaction is tantamount to ratification of the Federal Circuit's laches jurisprudence. Resp. Br. 35–36. But the longevity of an erroneous lower-court practice cannot insulate it from review. If the law were otherwise, erroneous lower-court interpretations would achieve a novel kind of immunity simply with the passage of time.

First Quality cites several cases in which this Court declined to overrule longstanding precedent, but these were cases in which the Court declined to revisit its *own* decisions. *See, e.g.*, *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 101–02 (2011). In *i4i*, a case First Quality refers to repeatedly, the Court reaffirmed a 1934 decision written by Justice Cardozo, who himself traced a "century of case law." *Id.* at 101 (citing *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1 (1934)); *see also Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2410–11 (2015) (declining to overrule 1964 precedent of this Court barring royalties after patent expires). There is no reason to affirm the decision below simply because no higher authority has as yet gotten around to overturning it. On the contrary, following *i4i*, the appropriate course is to reaffirm this Court's precedents that laches is not available to truncate the timeliness of a legal damages claim.

Critically, it is the Federal Circuit that did not feel constrained by precedent and had its laches law exactly backwards: laches in patent infringement actions could bar back damages, but not injunctive relief. *Aukerman*, 960 F.2d at 1040–41. Following *Petrella*, the Federal Circuit has now reversed its position on the applicability of laches to equitable injunctive relief, but has failed to finish the job and eliminate the application of laches to back damages. Pet. App. 2a. If the Federal Circuit can modify its own laches jurisprudence, certainly the Court can do so here.

IV. Policy Considerations Cannot Trump Section 286's Text and in Any Event Do Not Favor First Quality.

Section 286 expresses its own best policy: it prescribes a clear, uniform six-year limitations period and authorizes no exception for laches. Given the text's clarity, achieving a different policy outcome is for Congress, not the courts. *See Hartford Underwriters*, 530 U.S. at 13–14. In response, First Quality boldly asserts "near-unanimous support for retaining the defense [of laches] from major stakeholders in patent law." Resp. Br. 49. But First Quality's assertion is simply wrong—as SCA's amici illustrate. These include the ABA and the AIPLA, a 14,000-member society that "represent[s] a wide and diverse spectrum of individuals, companies and institutions" involved in patent and copyright law. ABA Br. 1; AIPLA Br. 1.

The amicus briefs ably debunk First Quality's many policy myths. For example, the ABA and AIPLA critique the assertion that laches is necessary to police loss of evidence as "grossly overstated." ABA Br. 13; AIPLA Br. 4–5. In the digital age, the absence of a laches defense will "likely have no real effect because in the age of digital permanence, there is little risk that evidence necessary to an invalidity defense will be lost." ABA Br. 14–15. First Quality argues that there is some distinction between copyright and patent law in that regard. But it has no answer for the ABA's point that concern for evidentiary loss "during the significantly shorter twenty-year patent term would appear to provide even less justification for preserving the laches defense than under the Copyright Act's much longer term of life of the author

plus 70 years." *Id.* at 15. In other words, because patents last for much less time than copyrights, the concern about cutting off "stale" claims is far weaker here than in *Petrella*.

First Quality posits scenarios where "unscrupulous" patent owners stand by and do not file suit until manufacturers "lock-in" to an infringing technology with investments. Resp. Br. 47. But *Petrella* rejected that assertion; there is nothing wrong with waiting to file suit until there is a real, live dispute worthy of the expense of litigation. 134 S. Ct. at 1976. Any other rule would force patent holders to bring suit prematurely, harming the parties and the judicial system. ABA Br. 7–11. In particular, it would deter taking the time to explore out-of-court settlement, forcing litigants to charge into court and "sue soon, or forever hold your peace." *Petrella*, 134 S. Ct. at 1976; ABA Br. 11–12. Here, SCA is being penalized for voluntarily submitting to the PTO's reexamination procedure, instead of litigating first and asking questions later.

Most importantly, Congress made the relevant policy judgments over a century ago, adopting an integrated system of timeliness rules requiring notice or marking to obtain back damages in most cases, a six-year limitations period, and a limited patent life. Pet. Br. 49–50. As noted during the 1897 floor debate, Congress carefully balanced the needs of patent holders and infringers, selecting the six-year limitations period. 29 Cong. Rec. 902 (1897). In short, Congress resolved First Quality's policy issues over a century ago.

V. The Federal Circuit's Six-Year Presumption Is a Judicially Created Rule That Is at War With *Petrella* and the Patent Act's Text.

Finally, even if laches were a viable defense to damages at law, First Quality offers no serious justification for the Federal Circuit's laches presumptions. Congress knows how to legislate patent presumptions and did so in section 282(a), which explicitly provides that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). By contrast, the statute creates no presumptions for the defenses described in section 282(b), let alone any specific to laches.

Indeed, *Petrella* rejected an indistinguishable presumption under the Copyright Act. As this Court explained, presuming laches is at war with the separate-accrual rule. "Only by disregarding . . . the separate-accrual rule . . could the Court of Appeals presume that infringing acts occurring before [the start of the limitations period] bar all relief, monetary and injunctive, for infringement occurring on and after that date." *Petrella*, 134 S. Ct. at 1973; *see id.* at 1974–75.

First Quality contends that the presumptions of delay and prejudice predate the 1952 Act. Resp. Br. 51. Yet the leading cases it cites earlier in arguing for a pre-1952 consensus (Resp. Br. 22) employ no presumptions, but rather a traditional equitable balancing test. *See Ford*, 296 F at 657 (approximately 14-year delay); *Banker v. Ford Motor Co.*, 3 F Supp. 737, 738 (W.D. Pa. 1933) (over 16-year delay); *Universal Coin Lock*, 104 F.2d at 783 (14-year delay). Indeed, the only appellate case First Quality cites prior to 1952 is *Gillons*. There was hardly a

consensus among the appellate courts with respect to any laches presumptions.

Moreover, the perverse nature of the presumptions of delay and prejudice are on powerful display in this case. With respect to delay, SCA was plainly justified in not suing for infringement immediately. The courts below started the clock on the first act of infringement and refused to toll it during PTO review. This, even though the Federal Circuit panel recognized that First Quality was on constructive notice of the proceedings. Pet. App. 79a.

The panel below then found that a genuine issue of material fact barred summary judgment on estoppel. SCA's immediate request for PTO reexamination, it reasoned, "could reasonably be viewed as inconsistent with SCA's alleged acquiescence," preventing a finding of prejudice. Pet. App. 88a. Yet, applying the presumption, the panel affirmed summary judgment on laches, Pet. App. 76a–77a, while on the very same facts finding a genuine dispute on prejudice as to estoppel, Pet. App. 89a–91a. The presumption was dispositive, penalizing SCA a second time because it voluntarily submitted to PTO re-examination instead of charging into court first. There is no equity in any of this.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

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Dated: October 12, 2016